



Hong Kong Tax Newsflash

Draft legislation on stamp duty waivers for transfer of REIT units and jobbing business of options market makers gazetted

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Following the announcement in the 2024-25 Budget¹, the Bill², which seeks to waive the stamp duty payable on the transfer of shares or units of real estate investment trusts (REITs)³ and transactions amounting to jobbing business⁴ of options market makers⁵, is gazetted today. The Bill also provides for a revised stamp duty collection arrangement for the uncertificated securities market (USM) regime⁶ in Hong Kong. It is scheduled for its first reading in the Legislative Council on 20 November 2024.

Stamp duty waiver for transfer of REIT units

Currently, the transfer of REIT units is chargeable with stamp duty at a rate of 0.1% for both the buyer and the seller. To enhance the competitiveness of Hong Kong's REITs market, the Bill proposes to waive the stamp duty payable on the transfer of REIT units. This measure will align with most international markets, e.g. the Mainland China, Japan, Singapore, the United States, etc.

Stamp duty waiver for jobbing business by options market makers

At present, options market makers effecting a transaction amounting to jobbing business are required to make a contract note and pay a fixed stamp duty of HKD 5, without any additional ad valorem duty. However, market makers dealing in products other than options are not required to pay stamp duty.

To enhance the efficiency of the options market and align the policies across different types of market makers, the Bill proposes to remove the requirement to make contract notes for such jobbing business transactions and hence waive the stamp duty payable.

¹ Please see our [Hong Kong Tax Analysis – Issue H115/2024](#) for details.

² [Stamp Duty Legislation \(Miscellaneous Amendments\) Bill 2024](#)

³ REIT is a collective investment scheme constituted as a trust that invests primarily in real estate. Its units are listed on The Stock Exchange of Hong Kong Limited. It has to appoint a management company with a licence issued by the Securities and Futures Commission and distribute not less than 90% of after-tax net income to unitholders.

⁴ Jobbing business refers to the sale or purchase of stock by an options market maker, either for hedging their options or in their ordinary course of business.

⁵ Options market maker means an exchange participant permitted by a recognized exchange company to make a market in options contracts under its rules.

⁶ The USM regime aims to remove the need to use paper documents to evidence and effect transfer of legal title to securities by providing a digitalised environment. It is expected to come into effect in 2025.

Revised stamp duty collection arrangement for USM regime

Currently, Hong Kong operates a paper-based securities regime where paper instruments are required to be used to evidence and transfer legal title to shares and certain other securities for off-exchange transactions. Due to practical considerations, many investors choose not to hold the legal title to their securities, and instead hold only the beneficial interest through the Central Clearing and Settlement System.

To enhance efficiency, investor protection and transparency, the USM regime will be implemented to provide a digitalised environment (i.e. paperless) for the holding and transfer of legal title to securities. For off-exchange transfer of uncertificated securities, an approved securities registrar (ASR) will be responsible for collecting the stamp duty payable, passing it to the Stamp Office, as well as stamping the contract notes. In order to provide a simpler and more efficient process, it is proposed that, upon receiving transfer instructions from the investors, the ASR involved can direct them to the Stamp Office's e-platform to complete the stamping and stamp duty payment process. The Stamp Office will process the e-Stamping application directly and issue stamp certificates accordingly. The transferee will be able to download the stamp certificate from the Stamp Office's e-Stamping portal. Any contract notes relating to uncertificated securities that are stamped using e-Stamping arrangements need not be physically signed or be in paper form.

Effective date

The stamp duty waivers for transfer of REIT units and jobbing business of options market makers will come into operation on the day immediately following the gazettal of the ordinance after the Bill is passed. The revised stamp duty collection arrangement for transactions under the USM regime will apply to the transactions once the USM regime itself is implemented.

Our observation

We welcome the introduction of waivers for stamp duty on the transfer of REIT units and jobbing business of options market makers. These measures would reduce the cost of transactions and enhance the competitiveness of Hong Kong's REITs market and improve the operational efficiency of the options market makers.

On the other hand, the revised stamp duty collection arrangement would streamline and expedite the stamping and collection process under the USM regime.

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Authors

Doris Chik

Tax Partner

+852 2852 6608

dchik@deloitte.com.hk

Carmen Cheung

Senior Tax Manager

+852 2740 8660

carmcheung@deloitte.com.hk

Kiwi Fung

Tax Manager

+852 2258 6162

kifung@deloitte.com.hk

For more information, please contact:

Tax & Business Advisory

Southern Region Leader

Jennifer Zhang

Tax Partner

+86 20 2885 8608

jenzhang@deloitte.com.cn

Southern Region Deputy Leader

Raymond Tang

Tax Partner

+852 2852 6661

raytang@deloitte.com.hk



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